

Message Text

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C O N F I D E N T I A L USNATO 2372

E.O. 11652: GDS

TAGS: EFIN MCAP GW NATO

SUBJ: BURDENSARING: ECONOMIC DIRECTORATE REPORT TO COUNCIL

REF: A. STATE 45202; B. USNATO 1144; C. USNATO 1711;
D. STATE 74974

1. ON MAY 5 NAC WILL DISCUSS FINAL REPORT TO COUNCIL FROM SYG LUNS ON BURDENSARING (C-M(75)18 OF APRIL 25, 1975). REPORT SHOWS THAT ACCORDING TO DATA COLLECTED BY ECONOMIC DIRECTORATE, MILITARY PROCUREMENT IN U.S. BY EUROPEAN ALLIES DURING FY 1974 TOTALLED DOLLARS 1,016 MILLION, AND CONCLUDES THAT THIS AMOUNT PLUS FRG OFFSET HAVE MORE THAN MET THE REQUIREMENTS OF JACKSON-NUNN AMENDMENT. DISCUSSION OF REPORT IN COUNCIL WILL REVIVE QUESTION WHETHER EUROPEAN ALLIES SHOULD CONTINUE REPORTING TO NATO ON MILITARY PURCHASES IN THE U.S.

2. AT RECENT INFORMAL MEETING OF ECONOMIC DIRECTORATE'S AD HOC GROUP ON BURDENSARING, FRG AND UK REPS OPPOSED CONTINUATION OF REPORTING PROCEDURE ON GROUNDS THAT WITH EXPIRATION OF JACKSON-NUNN AMENDMENT THERE IS NO LONGER RELATION-CONFIDENTIAL

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ALE FOR MAINTAINING DATA COLLECTING ACTIVITY WHICH OCCUPIES RESOURCES OF NATO IS AND OF MEMBER GOVERNMENTS. BELGIAN AND ITALIAN REPS FAVORED KEEPING REPORTING SYSTEM OPERATIONAL, AND REMAINING DELEGATIONS GAVE IMPRESSION THEY WOULD ACCEPT ANY

CONSENSUS. WHEN QUESTION ARISES IN NAC DISCUSSION OF DIRECTORATE REPORT, AMBASSADOR DE STAERCKE (BELGIUM) CAN BE EXPECTED TO PROPOSE CONTINUATION OF PROCUREMENT DATA COLLECTION TO DEMONSTRATE U.S. DOES NOT HAVE BALANCE OF PAYMENTS PROBLEM AS RESULT OF TROOP STATIONING IN EUROPE. ON THE OTHER HAND, UNLESS U.S. HAS ALREADY INITIATED OFFSET NEGOTIATIONS WITH FRG, AMBASSADOR KRAPF AND PERHAPS OTHERS WILL OPPOSE. COUNCIL DECISION WILL BE HEAVILY INFLUENCED, AND PERHAPS DECIDED, BY HOW STRONGLY U.S. PRESSES FOR MAINTAINING PROCEDURE AND REASONS WE PUT FORTH FOR CONTINUANCE.

3. MISSION RECOMMENDS U.S. URGE COUNCIL TO AUTHORIZE CONTINUATION OF PROCUREMENT ACCOUNTING BASED ON FOLLOWING RATIONALE:

A. COLLECTION OF DATA ON EUROPEAN MILITARY PROCUREMENT IN U.S. WILL BE USEFUL IN FUTURE AS IT HAS BEEN IN PAST TO COUNTER CRITICISM BY SEGMENTS OF U.S. CONGRESS AND PUBLIC REGARDING COST OF U.S. TROOP STATIONING IN EUROPE. WITH MILITARY BUDGET ALWAYS UNDER PRESSURE AND WITH PERSISTENCE OF U.S. BUDGET AND BALANCE OF PAYMENTS DEFICITS, POSSIBILITY OF REEMERGENCE OF SENTIMENT FOR LINKING TROOP LEVELS TO MILITARY BALANCE OF PAYMENTS CANNOT BE DISCOUNTED.

B. CONTINUATION OF MILITARY PURCHASE REPORTING FOR AT LEAST ANOTHER FISCAL YEAR WOULD CONFIRM THAT THERE IS A TRANS-ATLANTIC PROCUREMENT PATTERN AND THAT FY 74 WAS NOT EXCEPTIONAL.

C. PROCUREMENT ACCOUNTING PROCEDURE SET UP BY ECONOMIC DIRECTORATE AND ALLIES HAS PROVIDED VALUABLE DATA UNAVAILABLE FROM INDIVIDUAL BALANCE OF PAYMENTS ACCOUNTS. SINCE DATA MAY PROVE USEFUL FOR OTHER PURPOSES, SUCH AS ARMAMENT PRODUCTION COOPERATION, SYSTEM ESTABLISHED WITH SOME DIFFICULTY SHOULD NOT BE SUMMARILY DISMANTLED.

4. ACTION REQUESTED: USNATO WOULD APPRECIATE PRIOR TO MAY 5 NAC MEETING DEPARTMENT'S VIEW ON ADDITIONAL RATIONALE FOR CONTINUATION OF REPORTING PROCEDURE, TOGETHER WITH SUGGESTIONS FOR ANY OTHER THOUGHTS MISSION MIGHT INCLUDE IN COMMENTS ON FINAL REPORT TO THE COUNCIL. BRUCE
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